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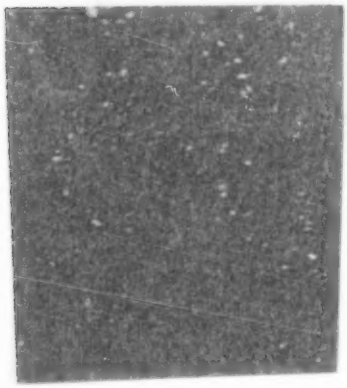

Resumed eighteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 17 November 1997, at 10 a.m.

President: Mr. POSTA (Hungary)

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The meeting was to called order at 10.35 a.m.

OPENING OF THE RESUMED EIGHTEENTH SESSION

1. **The PRESIDENT** declared open the resumed eighteenth session of the Industrial Development Board. The agenda for the eighteenth session (IDB.18/1/Rev.1) had already been adopted. Agenda item 3, "Recommendation of a candidate for the post of Director-General", had been taken up at the first part of the session but a recommendation still had to be adopted regarding the draft contract for the appointment of the new Director-General.

ORGANIZATIONAL MATTERS

2. **The PRESIDENT** proposed that the Board decide, as at previous sessions, to suspend the rule of procedure on the quorum (rule 32) except when substantive decisions were to be taken (see decision IDB.17/Dec.1 in document GC.7/5). To suspend rule 32, the Board would have to waive, as it had in the past, the requirement in rule 80 for 24 hours' notice of a proposal for such suspension. If he heard no objection, he would assume that the Board agreed to that procedure.

3. *It was so decided.*

4. **The PRESIDENT** said that, as in the past, informal in-session consultations would be held for the consideration of draft decisions before they were submitted to the plenary.

STATEMENT BY THE DIRECTOR-GENERAL

5. **Mr. DE MARIA Y CAMPOS** (Director-General) recalled that, at the first part of the eighteenth session, held in September 1997, only one agenda item had been considered, namely the recommendation of a candidate for the post of Director-General. The agenda now before the Board centred around the report of the Programme and Budget Committee (IDB.18/2 and Add.1) and included a number of critically important financial issues.

6. The most important issue concerned the outcome of the resumed thirteenth session of the PBC and in particular the programme and budgets for the 1998-1999 biennium. The process leading to that budget had been unprecedented in that it had involved a protracted series of negotiations among Member States and an intense scrutiny of all UNIDO's operations, both substantive and administrative. That process would not have succeeded without the clear determination of Member States to ensure the survival of a relevant UNIDO, the constructive spirit of cooperation that had prevailed even in critical phases of the negotiation process, and the atmosphere of trust and confidence that had characterized the dialogue between Member States and the Secretariat. Tremendous efforts had been made on all sides and sometimes difficult compromises had been reached on the overall volume and the programme content of the new budget.

7. The time had now come to look forward to the tasks facing UNIDO in the next biennium and to put the resources at UNIDO's disposal to good use. To that end, it was essential to ensure the commitment of Member States to refrain from further downsizing and budget reductions in the future. He wished to mention in that connection a recent United Kingdom document entitled "Eliminating world poverty—a challenge for the 21st century"; that paper clearly re-established the United Kingdom's role in international development matters and urged the world community to renew its commitment in the fight against poverty. UNIDO's new role would be vital in meeting that global challenge, provided that Member States were ready to make the necessary funds available.

8. He therefore trusted that the Board would endorse the PBC's conclusion and recommend to the General Conference the adoption of the new budget by consensus. The revised budget proposal contained in document IDB.18/15/6 had been amended in PBC conclusion 97/10 (see document IDB.18/2/Add.1, para. 11), that had resulted in a reduction of slightly over 20 per cent as compared with the contingency plans for 1996-1997, and of 30.9 per cent as compared with the approved regular budget for that period. The proposals approved by the PBC were based on the Business Plan on the Future Role and Functions of UNIDO and on the outcome of consultations in an ad hoc open-ended working group on issues related to field representation and further opportunities for administrative savings. The conceptual guidance provided by that working group had been fully incorporated and would enable 5 UNIDO subregional and 25 UNIDO country offices to be established by redeploying substantial resources from Headquarters to field offices and by further reductions in administrative budget allocations. Thus, while in 1996-1997 only 40 per cent of regional programme management resources had been allocated to the field and some 60 per cent to Headquarters activities, the 1998-1999 proposed budgets allocated 70 per cent of those resources to the field and barely 30 per cent to the regional bureau at Headquarters. That change would be accompanied by clearly defined functions to be carried out by field offices and by enhanced delegation of authority vis-à-vis Headquarters.

9. The new budget also reflected a continued downward trend in resources allocated to administrative tasks, closely following the Board's guidelines for achieving the maximum possible reduction in administrative costs. The proposed cuts in administrative and other support areas would require UNIDO staff to work at the limit of their already stretched capacities, and clearly implied risks for continued operational effectiveness and efficiency. In the new budget proposal, the share of Administration (excluding Buildings Management) in the total budget had been reduced to 15 per cent, which was even lower than envisaged in the earlier 30 per cent budget reduction scenario; it was far lower than in comparable organizations and lower than the level set by the Secretary-General for the United Nations as a whole.

10. Substantial budget reductions, as were required for the 1998-1999 period, could not be achieved without cost. More than 120 staff would have to leave the Organization, and the Board would have to consider the human implications for the Organization. A proposal for addressing the personnel and financial implications of the programme and budget for 1998-1999 would be before the Board later. Under the chairmanship of Ambassador Khalil of Tunisia, a working group composed of representatives of Member States had undertaken a review of all aspects of that complex issue and its findings and recommendations would have to be considered by the Board and by the resumed session of the PBC. Failure to provide the financial resources to ensure timely implementation of the staff separation programme would have serious implications for the Organization, undermining implementation of the programme and budget and creating a serious cash crisis in 1998. The Organization did not have the budgetary authority or cash resources to meet the staff salary costs that would be incurred during a protracted separation period. To avoid that situation, a financial package supporting a timely voluntary staff separation programme was essential and must be adopted at the present session if it was to be implemented with effect from 1 January 1998.

11. In October 1997, UNIDO had been on the verge of a very serious financial crisis caused by partial payment, delayed payment or non-payment of assessed contributions by some Member States, and a number of emergency steps had been required to overcome the crisis, including deferring the implementation of various budgeted activities. Fortunately the receipt of full payment during that month from Japan, Australia, Greece, Haiti and Portugal and of partial payment from Saudi Arabia and Zambia had temporarily averted the crisis, but had not removed the threat of a cash flow crisis in the near future. If significant contributions were not received before the end of December 1997, the Organization risked defaulting on financial commitments for that month and for January 1998.

12. In view of the uncertain pattern of payment by Member States, UNIDO required a mechanism to address short-term financial shortfalls. As it would not be practical or cost-effective to convene special sessions of the policy-making organs for that purpose, a number of specific proposals had been put to the Board, and it was to be hoped that the working group on that issue would succeed in developing a package of effective measures.

13. He believed that a more radical approach was nevertheless needed to ensure timely payment of assessed contributions to UNIDO and other organizations. That ultimately required, in his view, incorporating interest rate considerations into payment criteria and establishing a system of incentives and penalties. Reform of the United Nations system should be extended to governing bodies and the conduct of Member States in regard to payments to the organizations.

14. The Board also had before it, in response to its request, a report on options available to UNIDO for the recovery of unpaid assessed contributions from the Government of the United States of America, amounting to some US$ 61 million, almost the equivalent of UNIDO's entire annual regular budget. Despite numerous contacts with the United States authorities, including letters to the Secretary of State reminding the Government of its legal obligations to UNIDO and soliciting an early settlement of its dues, and despite assurances that the United States authorities recognized those obligations, no action had been forthcoming. Member States were therefore urged to take concrete action on at least some of the options. The recent decision by the United States Congress to postpone payment to the United Nations yet again made the situation even more urgent.

15. One of the options was to establish a contact group of Member States as soon as possible to engage in a political dialogue with the United States authorities with a view to recovering the arrears. The group could also discuss with the United States Government the issue of tax reimbursement for UNIDO staff members of United States nationality, which remained unsettled despite the steps already taken.

16. A supplementary agenda item, agenda item 7, had been proposed by Italy for the consideration of the future of the International Centre for Science and High Technology (ICS) in Trieste and possibly closer ties with UNESCO programmes. The views of the Italian Government had been transmitted to the Board in document IDB.18/16/Add.1. The institutional arrangements for the ICS as a UNIDO institution had been

approved in November 1991 and formally ratified by the Italian Parliament in April 1996. Funding for the ICS had been ensured through legislation enacted by the Italian Parliament. The yearly ICS funding was in the order of US$ 4.5 million. The first payment by the Italian authorities had been made in July 1996 and the additional payment had arrived recently.

17. Throughout the period concerned, efforts had been made to harmonize the activities of the ICS and UNIDO towards an integrated and coherent programme. There was no inconsistency between the UNIDO Business Plan approved by the Board and the ICS programmes, nor any incompatibility in terms of cooperation with UNESCO. UNIDO and the ICS shared the same vision, namely the strengthening of industrial, scientific and technological capacities, aimed at cleaner and sustainable development. The ICS programme in the past and as envisaged for the coming biennium emphasized institutional capacity-building at the national and sectoral levels, and the technologies addressed by the ICS programme were of proven value for the industrial development of the developing countries and of countries in transition.

18. Activities aimed at promoting cleaner and sustainable development included areas such as bio-remediation and biodegradable plastics, and there was emphasis on interdisciplinary activities to facilitate the management of investment and related technologies in those areas as well as on the institutional strengthening of research and development centres at the national level. Those programmes were being implemented in a large number of developing countries and economies in transition. Some 25 new project proposals had been generated for the new biennium and the number could be expected to increase. Those programmes would continue to be refined in the future in the light of the Business Plan, the needs of developing countries and of countries in transition and the possibilities of cooperation with various international, regional and subregional organizations. Cooperation would be continued and enhanced with research centres in Italy and the Mediterranean region. Considerable synergy had already been created between UNIDO Secretariat programmes and UNIDO/ICS programmes and would be possible with UNESCO programmes. He was confident that a consensual solution would be found at the present session concerning the future of the ICS within the present legal framework.

19. The Board would be taking up a number of other matters contained in the report of the PBC including those relating to the scale of assessments, detailed financial regulations and rules, the appointment of an External Auditor, and the Industrial Development Fund and other voluntary contributions. An issue of particular importance was the role of voluntary contributions for UNIDO. The Organization must have adequate resources if it was to succeed in its reform process and in the vitally important tasks entrusted to it. Voluntary contributions were critically important at the present juncture to sustain the momentum of new initiatives, such as the Alliance for Africa's Industrialization as well as other high-priority thematic programmes, such as the Cleaner Production Centre Programme, which had been developed in direct response to requests from Member States. He therefore appealed to all donor countries to demonstrate their continued commitment to UNIDO not only by approving the programme and budgets for 1998-1999 but also by renewing and increasing their pledges to the IDF or by providing other voluntary contributions towards the technical cooperation programmes of UNIDO for the benefit of developing countries, particularly those in Africa and the least developed countries. In that context, active cooperation between UNIDO and the various non-State actors was important. That topic had been discussed recently in the Administrative Committee on Coordination and would be addressed in greater detail at the forthcoming session of the General Conference. In a constantly changing world it was important that there should be ongoing consultations with other elements of society than State bodies. The work of the International Business Advisory Council of UNIDO had recently gained momentum as a result of its second meeting in Casablanca. Cooperation with non-governmental organizations (NGOs) had been enhanced and a meeting had recently been convened in Senegal on the role of NGOs in private enterprise development. A recent expert group meeting in Vienna had recommended ongoing cooperation with industrial policy bodies in all Member States. In view of recent international events, it was important to ensure that UNIDO constantly reviewed its programmes and fed the information obtained into the decision-making process.

20. Much had already been done during the year to consolidate the reform of UNIDO and the final stages were under way. It was to be hoped that the present session would complete its work in an efficient manner to enable the forthcoming General Conference session to be a complete success.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.18/2 and Add.1):

(a) SCALE OF ASSESSMENTS (IDB.18/13)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (IDB.18/4)

(c) **PROGRAMME AND BUDGETS, 1998-1999** (IDB.18/15/5/Rev.1, IDB.18/15/6)

(d) **FINANCIAL REGULATIONS AND FINANCIAL RULES** (IDB.18/8, IDB.18/12)

(e) **WORKING CAPITAL FUND** (IDB.18/10)

(f) **APPOINTMENT OF AN EXTERNAL AUDITOR** (IDB.18/2)

(g) **FINANCIAL SITUATION OF UNIDO** (IDB.18/3, IDB.18/5, IDB.18/14, IDB.18/20, IDB.18/CRP.2, IDB.18/CRP.3, IDB.18/CRP.4)

(h) **INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS** (IDB.18/9)

21. **Mr. DEROY** (Managing Director, Division of Administration), introducing sub-items (a)-(g) of the agenda item, said, with regard to the scale of assessments, that the PBC, in its conclusion 97/5 (see document IDB.18/2, para. 16), recommended the establishment of a scale of assessments for the biennium 1998-1999 based on the scale employed by the United Nations at the time of the seventh General Conference session. The United Nations had not yet completed the preparation of the scale of assessments for the calendar years from 1998 to 2000 and a decision was not expected before the next General Conference session. It was therefore recommended that the Board propose to the General Conference that a scale of assessments for the years 1998-1999 be established on the basis of the scale currently employed by the United Nations but adjusted for the UNIDO membership.

22. Concerning the interim financial performance report and programme performance report, document IDB.18/4 contained the interim financial statements for the first year of the biennium 1996-1997, i.e. to 31 December 1996, and provided a historical record of the Organization's financial performance for 1996, together with information on income and expenditures, assets and liabilities, the status of assessed contributions, a statement of pledges and receipts, a summary of significant accounting policies, and information on UNIDO technical cooperation activities.

23. Sub-item (c) of the agenda item involved two separate but related issues: the programme and budgets for 1998-1999, and the personnel and financial implications of the proposed budget reductions. The crucial issue of the programme and budgets had been addressed by the Director-General in his opening statement, and the PBC, in its conclusion 97/10 (IDB.18/2/Add.1, para. 11), had recommended the Board's adoption of the programme and budgets with some amendments. Concerning the related issue of the personnel and financial implications of the proposed budget reductions, the open-ended working group established in accordance with conclusion 97/11 was expected to report to the PBC at its resumed thirteenth session, scheduled to take place on 19 November 1997, and it was assumed that the Board would take up that issue after its consideration by the PBC.

24. Regarding the financial regulations and financial rules, the PBC, in its conclusion 97/3, recommended certain amendments which would contribute to improving UNIDO's financial administration and reporting requirements. Further changes in the financial regulations and rules would be considered during the forthcoming biennium with a view to providing the Organization with a flexible regulatory framework, responsive to new initiatives and demands.

25. With regard to the Working Capital Fund, it was recommended in PBC conclusion 97/6 that, owing to changes in membership, the level of the Fund for the biennium 1998-1999 be $6,610,000 and that the authorized purposes of the Fund remain the same. Paid advances to the Fund as of June 1997 totalled $6,750,000; the Fund was currently fully depleted.

26. Concerning the appointment of an External Auditor for UNIDO, the General Conference, at its fifth session, had appointed the President of the Federal Court of Audit of Germany as External Auditor for a period of two years as from July 1994, and at its sixth session had decided to extend that appointment until 30 June 1998. The PBC, in its conclusion 97/8, recommended that the External Auditor's appointment be extended for a further two years.

27. On the question of the financial situation of UNIDO, relevant information was contained in documents IDB.18/20, IDB.18/CRP.2 and IDB.18/CRP.3, with updated information provided in document IDB.18/CRP.4 on the status of assessed contributions, advances to the Working Capital Fund, the cash flow analysis and payments made by Member States up to 31 October 1997. The PBC had taken note of the seriousness of the financial situation and recommended that the open-ended discussion group on timely payment of assessed contributions be reactivated in order to find new ways and means of improving that situation (see document IDB.18/2/Add.1, conclusion 97/12).

28. **Mr. IKEDA** (Japan) said that he wished to express his Government's views on certain important issues concerning the report of the Programme and Budget Committee (IDB.18/2 and Add.1). The conclusion reached at the last PBC session demonstrated the spirit of

political compromise shown by Member States in the face of extremely delicate and difficult deliberations. In his delegation's view, the draft budget adopted at that session, with a 20.001 per cent reduction, still left room for further improvement and savings. It had not been fully satisfactory to his Government. However, bearing in mind the special responsibility of Japan as UNIDO's largest contributor, his delegation had voted in favour of the proposed budget in order to rescue the Organization. His delegation wished to commend the spirit of constructive cooperation and dialogue which had emerged during the deliberations at that session, following the long and tough negotiations that had taken place over the past year, and hoped that that spirit would be maintained so that the successful implementation of UNIDO's reform could be achieved in accordance with the Business Plan.

29. Continuous efforts should be pursued by the Secretariat, in cooperation with Member States, to bring about further savings, within the framework of the programme and budgets to be approved at the forthcoming General Conference session, through greater simplification of administrative procedures and outsourcing of non-core activities to the extent possible.

30. Financing the staff separation programme was a very important issue, which called for the Board's careful examination. In the Japanese Government's view, the separation indemnities should be funded first by transferring part of the unutilized balance of appropriations from the biennium 1994-1995, but the staff reduction costs should primarily be funded from the collection of outstanding payments due from a number of current and former Member States. The conscientious Member States, including Japan, which had faithfully honoured their financial obligations should not be burdened by supplementary payments for that purpose. His Government wished to strongly urge those Member States which had not paid their dues to do so without further delay.

31. The arrears of the United States of America, which was no longer a Member of the Organization, posed an extremely serious problem, and the collection of its unpaid contributions was urgently required in order to defuse the financial crisis currently facing UNIDO. While his delegation recognized the need to explore all available options to induce the United States to pay its arrears at the earliest opportunity, those options, including the establishment of a contact group, needed to be carefully examined by Member States in order to determine the most appropriate and effective tool that would produce the desired positive results.

32. **Mr. SANTER** (Observer for Luxembourg), speaking on behalf of the European Union and the associated States of Bulgaria, Cyprus, Hungary, Poland, Romania, Slovakia, Slovenia and the Czech Republic, said that the European Union had taken note of the outcome of the budget discussions at the last PBC session. The budget, adopted after tough negotiations, was a solution that would not satisfy the aspirations of all Member States. However, it had been essential to achieve a result in order to ensure the continuation of the Organization, which should now devote the bulk of its resources to the activities identified in the Business Plan. The new Director-General should have the necessary flexibility to implement the budget, subject to respect for the prerogatives of the Board.

33. On the question of the implementation of the staff separation programme, the European Union wished to restate its view that the solution of the problem was bound up with the payment of arrears. All States which had participated in the reform process should underline their continuing commitment to the Organization by honouring their financial obligations. That was the price to be paid in order to bring about UNIDO's recovery and overcome the difficulties which threatened to jeopardize its achievements to date. While the decision of the General Conference concerning the appropriation of reserves and unutilized balances from the biennium 1994-1995 should not be prejudged, prompt payment of arrears would at least enable UNIDO to envisage resolving the problem through the allocation of those funds to the separation indemnity reserve. Moreover, the payment of all assessed contributions for the current period could generate a residual balance at the end of the period which, subject to approval by Member States, could also be used for that purpose. The European Union was determined to see the structural aspect of the reform process implemented within the shortest possible time and could not accept its deferment through lack of cash resources.

34. The European Union hoped that the staff separation programme to be implemented would ensure the retention within the Organization of the essential skills and expertise to enable it to efficiently fulfil its mandate, as defined in the Business Plan. The Secretariat should endeavour to limit the cost of the programme to the extent possible and scrupulously observe the legal provisions in force.

35. The European Union supported the PBC's recommendation to extend the appointment of the President of the Federal Court of Audit of Germany as External Auditor for a further two years. He had provided the Organization with excellent reports and judicious

proposals which had made it possible to better appreciate its financial situation.

36. The report of the External Auditor (IDB.18/3) emphasized the precarious state of UNIDO's financial situation, which had arisen as a result of non-payment or belated payment of assessed contributions by a large number of Member States. Through the combined effect of the non-payment or late payment of contributions to the regular budget and advances to the Working Capital Fund, the Organization was threatened with insolvency at any moment. The European Union, which was up to date with its assessed contributions and honoured its commitments towards the Organization, therefore appealed again to all Member States to meet their financial obligations quickly, in full and without prior conditions. That applied both to existing Members and to those that had withdrawn from the Organization leaving unpaid arrears. In that connection, the European Union took note of the Director-General's report concerning options for the recovery of arrears from the United States of America (IDB.18/18). However, Member States must be enabled to examine in greater detail the various suggestions contained in that report. Non-payment and late payment of contributions forced the Organization to postpone the financial implementation of the budget and jeopardized its capacity to discharge the mandate entrusted to it. Since all Member States wished to have an efficient and revitalized organization fulfilling the role entrusted to it, they should firmly commit themselves to making available the resources that it needed.

37. He wished to pay tribute to the Chairman for his essential work as head of the intersessional working group, which had greatly contributed to the successful completion of the reform process. While primary responsibility for implementing the reform programme rested with the Director-General, the intersessional working group could continue to play a constructive role in the future by, *inter alia*, assisting the Secretariat in the preparation of performance indicators.

38. The European Union supported the request made by the permanent representative of Italy to have the Trieste International Centre for Science and High Technology placed under the aegis of UNESCO. That would enhance the harmonization of the activities of the Trieste scientific pole. The European Union further appreciated the Italian Government's commitment to UNIDO's remaining fully associated with the activities of the Centre on all issues of mutual interest.

39. **Mr. EL-FEKI** (Egypt) said that the proposed 20.001 per cent reduction in the programme and budget was the maximum acceptable to his delegation. Despite Egypt's reluctance to agree to budget reductions which exceeded the contributions of the State withdrawing from the Organization, it had coordinated its approach with the African Group, the Group of 77 and China, and had joined in the consensus. The present session should give a clear message that no further reductions would be sought. Important activities and services required by Member States should not be curtailed. He hoped that the programme and budget would be adopted by consensus as the developing countries, including Egypt, could make no further concessions. The only logical solution to the present dire financial situation was for all present or former Member States to pay their assessed contributions in full. The unpredictable payment patterns of many Member States hindered proper planning of the Organization's activities, and a continuing cash flow problem could endanger the reform process itself.

40. Non-payment by Member States for two or more years resulted in loss of voting rights in the Organization's policy-making bodies. Such a situation should be avoided. Egypt supported the views of the African Group, the Group of 77 and China on the matters under discussion.

41. **Mr. SOKOLOV** (Russian Federation) said that the present session of the Board permitted a review of the work carried out by Member States and the Secretariat to improve the Organization's effectiveness, prior to the exceptionally important forthcoming session of the General Conference.

42. It would serve the common interests of Member States for UNIDO to maintain its position as an independent and effective organization within the United Nations system promoting industrial progress in developing countries and in countries in transition. His delegation had participated actively in developing the Business Plan and welcomed the broad consensus reached on that delicate matter, taking into account the interests of very different groups of States in the activities of the reformed Organization. Strengthening the universality of the Organization's work had helped to achieve a balance between the interests of donors and recipients. He supported the consensus proposal for the Organization to focus on two main areas. His delegation had no objection to the radical decentralization of UNIDO, with the transfer of many staff from Headquarters to the field, coordination functions being maintained in Vienna. The intersessional working group on the future role and functions of UNIDO should continue its work.

43. His delegation had voted in favour of the recommendation of the PBC on the programme and budgets for 1998-1999, which he hoped would be adopted by consensus, as it fully reflected the provisions of the Business Plan, and also the spirit and letter of the discussions at the September session of the Committee.

The reworked draft clearly showed the new priorities for UNIDO's work, and the main activities had been assigned sufficient, although limited, resources. Administrative and subsidiary expenditures had been reduced as far as possible in favour of substantive activities, and particularly field programmes.

44. The informal working group established to consider all aspects of staff reduction had faced a complex task, in view of the short time available, and the fact that the new organizational structures of UNIDO were not yet clear. The Secretariat should deal equally with all categories of staff, with the programme and budget considerations of the Business Plan to be the main criteria for cuts made. Any other criteria would not be in keeping with the aims of Member States. Incentives for agreed termination should be offered to staff before the phase of compulsory terminations began. It was important to keep implementation costs as low as possible, and perhaps some unused resources from the 1994-1995 budget could be made available for the purpose. Cash for termination indemnities could also be found by effective planning of budget implementation for the coming biennium.

45. Many of the Organization's difficulties were caused by the late payment of assessed contributions by Member States, and he joined in calling for that situation to be corrected. In view of the critical financial position, it was essential for the intersessional open-ended discussion group on timely payment of assessed contributions to continue its work.

46. A relevant issue was that of the non-payment of arrears by the United States. The Director-General's report on that subject contained a number of useful ideas. All States should strictly observe their financial obligations to international organizations. A consensus agreement by the Board on that issue would be the most effective way of supporting the Director-General in his efforts to persuade the United States to pay its arrears.

47. **Mr. LEE** (Republic of Korea) welcomed the compromise reached on the UNIDO reform at the resumed thirteenth session of the PBC. His delegation had supported the programme and budget, as the best possible compromise despite its possible negative impact on the Organization's activities. He hoped it would be accepted at the present session and at the forthcoming General Conference session.

48. A budget plan was worthless unless Member States made their assessed payments on time and in full. The total amount of overdue payments was almost equivalent to the biennial budget of the Organization, and he welcomed the proposal to reactivate the discussion group on timely payment.

49. The existing rules relating to voting rights were not detailed or practical enough to address the problem of non-payment. The principle of reform should cover all aspects of UNIDO, including Member States' payment obligations. It would be extremely inconvenient to have to hold special sessions of the policy-making organs for the approval of loans to make up for slow and non-payment of assessed contributions. Every effort should be made to collect the overdue contributions from the United States, which amounted to $61.3 million. The Secretariat had made some useful proposals.

50. With regard to staff separation, policy criteria for reduction and financing modalities would be a good basis for further consideration of that delicate and difficult issue.

51. He hoped that, with the new programme and budget, UNIDO's serious budgetary problem could be solved so that the Organization could once again advance steadily towards its original goal.

52. **Mr. BREITER** (Switzerland), referring to the interim financial performance report, said that measuring results was extremely difficult in an Organization like UNIDO which had various objectives and a wide variety of activities. However, the introduction of objective performance indicators was crucial, as Member States could not monitor results if they could not measure performance. The indicators should be output-oriented and measure the Organization's efficiency and effectiveness. The working group on the future role and functions of UNIDO (see document IDB.18/17) should work out in collaboration with the Secretariat, a set of feasible performance indicators to become a regular feature of future programme and budget documents. The performance report should also be streamlined to ensure greater clarity.

53. Referring to the programme and budgets for 1998-1999, he said that a new spirit of consensus seemed to be emerging. As the report of the chairman of the informal working group on personnel and financial aspects of staff reduction was still outstanding, the item would have to be taken up again later.

54. With regard to the withdrawal of the United States of America, Switzerland believed that there was a need fo rboth political and legal options to collect the arrears of assessed contributions. The mandate of the proposed contact group of Member States should be further analysed and defined. The International Court of Justice could be asked to give an advisory opinion on the rights of UNIDO and the legal remedies available to it in view of the continued non-fulfilment by the United States of its financial obligations to the Organization. The

Director-General should pursue his contacts with non-governmental organizations and industry groups in the United States in order to enlist public support. Finally, he urged all Members of UNIDO which had not yet done so to pay their financial obligations in full and without any conditions.

55. **Mr. EFFENDI** (Indonesia) believed that the only major problem facing UNIDO was its financial situation, which had become disastrous. Arrears in contributions had reached $117 million in September 1997, and the Organization was under constant pressure. The current session could not fail to be seriously concerned that voting rights in the General Conference had been suspended for 59 out of 169 UNIDO Members.

56. The United States, at the time of its withdrawal, had owed $61.3 million to the Organization, and the Secretariat suggested a number of political and legal options in document IDB.18/18. Taking into account the difference of views between the legislative and executive branches in the United States, Indonesia believed that any legal dispute between the United States and UNIDO should be avoided.

57. Indonesia joined other Member States in urging the swift payment of arrears. The intersessional group on timely payment should revitalize its endeavours to solve that problem, and examine the Secretariat's proposals, taking into consideration the difficult economic and political conditions.

58. The 1998-1999 budget was being considered at a critical stage when a restructured UNIDO was about to function and a smaller organizational structure was about to emerge in accordance with the Business Plan. In view of the cuts already made and the significant budget reductions, any further cuts would be unnecessary. Member States should maintain their commitment to the Organization's objective of assisting developing countries in the process of industrialization.

The meeting rose at 12.25 p.m.